



**Local Agency Formation Commission**  
**LAFCO of Napa County**

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**May 7, 2007**  
**Agenda Item No. 5c**

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**TO:** Local Agency Formation Commission

**FROM:** Keene Simonds, Executive Officer

**SUBJECT: Third Quarter Budget Report for Fiscal Year 2006-2007 (Consent)**

The Commission will receive a third quarter budget report for the 2006-2007 fiscal year. The budget report provides an overview of LAFCO expenses through the first nine months of the fiscal year and is being presented to the Commission to receive and file.

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The third quarter of the Commission's 2006-2007 fiscal year ended on March 31, 2007. Overall expenses through the third quarter totaled \$194,915, which represents 53% of the adopted operating budget (non-reserve accounts) with three-fourths of the fiscal year complete. An overview of expenses through the third quarter follows.

Salaries and Benefits:

Through the end of the third quarter, the Commission expended \$135,942 on salaries and benefits. These expenditures represent 51% of the total amount budgeted in the eight affected accounts for the fiscal year. All accounts finished the third quarter with total balances at or above 25%. It is expected that these accounts will collectively finish with an approximate surplus of \$55,000 due to the extended vacancy of the analyst position, which was not filled until December 2006.

Services and Supplies:

Through the end of the third quarter, the Commission expended \$58,974 on services and supplies. These expenditures represent 58% of the total amount budgeted in the 13 affected accounts for the fiscal year. Four accounts – professional services, property lease, publications, and training – finished the third quarter with total balances below 25%. It is expected that all four of these accounts will finish the fiscal year in a deficit. Staff also expects the legal expense account to finish in a deficit. A summary of all five of these accounts follows.

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Jack Gingles, Chair  
Mayor, City of Calistoga

Juliana Inman, Commissioner  
Councilmember, City of Napa

Cindy Coffey, Alternate Commissioner  
Councilmember, City of American Canyon

Brad Wagenknecht, Vice-Chair  
County of Napa Supervisor, 1st District

Bill Dodd, Commissioner  
County of Napa Supervisor, 4th District

Mark Luce, Alternate Commissioner  
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner  
Representative of the General Public

Gregory Rodeno, Alternate Commissioner  
Representative of the General Public

Keene Simonds  
Executive Officer

- The professional services account covers the cost of the annual independent audit and services provided by the County Auditor-Controller's Office. Due to increased usage of the Auditor-Controller's Office, expenditures through the third quarter in this account have exceeded the budgeted amount by \$1,395. Because of the continual demand for the Auditor-Controller's Office to process payroll and journal entries it is expected that the deficit in this account will increase to approximately \$3,000 by the end of the fiscal year. Expected savings in the salaries and benefits accounts will be used to cover this shortfall.
- The property lease account is encumbered in full at the beginning of the fiscal year by the County Auditor-Controller's Office. A deficit of \$693 is reflected in this account and is the result of an amended lease agreement that was approved by the Commission following the adoption of the final budget. The amended lease agreement for office space at 1700 Second Street in Napa establishes a fixed monthly rent rate of \$2,250 through June 2009. This rent amount is \$58 more a month than projected by staff at the time the final budget was approved. Expected savings in the salaries and benefits accounts will be used to cover this shortfall.
- The publications account covers all legal notices and related expenses. Due to advertisement and noticing costs associated with the alternate public member position, expenditures through the third quarter in this account have exceeded the budgeted amount by \$297. It is expected that this account will finish the fiscal year with a total deficit of approximately \$350. Expected savings in the salaries and benefits accounts will be used to cover this shortfall.
- The training account is used for a variety of instructional activities for staff and Commissioners. Through the third quarter, the Commission has expended \$2,795 of the \$3,000 budgeted in this account. The majority of these expenditures were drawn from registration costs for the 2006 CALAFCO Annual Conference in San Diego, which was attended by two staff and four Commissioners. Additional instructional expenses are expected over the final quarter, including training for new staff, and will likely produce a small deficit in the account. Expected savings in the salaries and benefits accounts will be used to cover a shortfall.
- The legal expense account covers services provided by Council Jackie Gong. In January, LAFCO received an invoice for legal services through December in the amount of \$7,536. Ms. Gong has informed staff that she has billed 81 hours for the months of January, February, and March, which represents a charge to LAFCO in the amount of \$10,462 (\$129.17 per hour). The majority of these hours have been spent addressing the issue of outside service provision in south Napa County. In all, LAFCO has expended through the third quarter \$17,998 of the \$18,750 budgeted for legal services. It is evident that LAFCO will experience a significant shortfall in this account. Staff will closely monitor the

account and advise the Commission if the shortfall will produce an overall deficit in LAFCO's operating budget.

Reserve and Contingency Funds:

The Commission has not expended any of its operating reserve or professional service contingency funds through the third quarter.

The fourth and final quarter of the fiscal year ends on June 30, 2007. Staff will return to the Commission with a fourth quarter report in August.

Attachments:

- 1) General Line-Item Budget: July 1, 2006 through March 31, 2007